

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7248

BILL NUMBER: HB 1343

DATE PREPARED: Jan 6, 2001

BILL AMENDED:

SUBJECT: Tobacco Farmer Appropriation.

FISCAL ANALYST: Kathy Norris

PHONE NUMBER: 234-1360

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

STATE IMPACT	FY 2001	FY 2002	FY 2003
State Revenues			
State Expenditures		8,500,000	5,000,000
Net Increase (Decrease)		(8,500,000)	(5,000,000)

Summary of Legislation: This bill appropriates to the Tobacco Farmers and Rural Community Impact Fund, from interest earned on money in the Indiana Tobacco Master Settlement Agreement Fund, a total of \$28.5 M from July 1, 2001, through July 1, 2005.

Effective Date: July 1, 2001.

Explanation of State Expenditures: This bill specifically appropriates interest earnings from the Indiana Tobacco Master Settlement Agreement Fund to the Tobacco Farmers and Rural Community Impact Fund. (P.L.21-2000 requires that the interest must be specifically appropriated from the trust fund.) The appropriations provided by the bill are \$8.5 M in FY 2002 and \$5.0 M annually from FY 2003 to FY 2006.

Explanation of State Revenues: Interest received for investments of the Indiana Tobacco Master Settlement Agreement Fund through December 29, 2000, was \$ 5,916,780. In order to ensure that the Master Settlement Fund will accumulate sufficient interest to appropriate \$8.5 M from the interest earnings on July 1, 2001, certain assumptions are necessary. It is assumed that the state will receive at least \$65.53 M on or before January 10 and that those funds would be immediately invested for 6 months for at least 6% interest. It is also assumed that the Budget Agency will allocate \$600,000 in Tobacco Master Settlement Agreement interest earnings to the Prescription Drug Program for the first 6 months that the funds were unallocated to the

account. It is further assumed that the final distributions of the P.L.21-2000 appropriations will be done in January 2001 when the cash flow from maturing investments permits. Given these assumptions it appears that the Tobacco Master Settlement Agreement Fund investments will generate sufficient interest by July 2001 to distribute an appropriation of \$8.5 million. In subsequent fiscal years, the body of the Tobacco Master Settlement Agreement Fund should provide sufficient interest earnings to support an appropriation of \$5 M through FY 2006.

Explanation of Local Expenditures:

Explanation of Local Revenues: Expenditures from the Tobacco Farmers and Rural Community Impact Fund are subject to review by the Budget Committee and approval by the State Budget Agency. (The Fund was established to: 1) assist tobacco farmers to transition to alternative economically viable commodities; 2) preserve and sustain family farms and farmland; 3) develop new agricultural enterprises in areas formerly used for tobacco production; and 4) provide assistance to rural communities that suffer a negative impact from the loss of tobacco production.)

State Agencies Affected: Commissioner of Agriculture, the Department of Commerce, State Budget Agency.

Local Agencies Affected:

Information Sources: P.L.21-2000, Mike Frick, Treasurer of State's Office. Auditor's Minor Object Code System and Treasurer's Fund List Report.